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Special Article - Ownership characteristics of businesses undertaking capital expenditure in Australia, 1998-1999

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INTRODUCTION

There is ongoing demand by State Governments for more detailed information on foreign investment flows at a State level and for statistics on globalisation in general. To help satisfy this demand, the ABS has investigated the feasibility of producing a measure of private new capital expenditure according to whether the businesses undertaking that expenditure were Australian or foreign owned. Such a measure has the potential to inform debate and assist in policy formulation and evaluation in many areas. Experimental estimates, for Western Australia only, were published in September 2000 in the Information Paper **Experimental Estimates of Foreign and Domestic Investment in Private New Capital Expenditure, Western Australia, 1998-1999** (ABS Cat. no. 5674.5). That work has now been extended to produce experimental estimates for the other States and Territories and, where possible, to publish these estimates at the State/Territory and Australian levels. Important outcomes of this study have been the construction of statistical links between various ABS datasets, and the development and validation of an appropriate methodology. This article provides estimates of Australian private new capital expenditure classified by Australian-owned and majority-foreign-owned businesses for the 1998-1999 financial year. Majority-foreign-owned businesses have been identified on the basis of foreign investment at 30 June 1999.

ANALYSIS

Of the \$44.7 billion investment in private new capital expenditure reported in the ABS Survey of New Private Capital Expenditure in 1998-1999 (see **Australian Economic Indicators** (ABS Cat. no.1350.0), Table 3.5), businesses which were owned 50% or more by Australian residents invested \$27.9 billion (62%) while businesses with majority foreign ownership invested \$11.5 billion (26%). The study was unable to ascertain the ownership of businesses making 12% of the expenditure, but a substantial proportion of these are expected to be Australian owned.

Table 1 : Private New Capital Expenditure in Australia by Ownership Group, 1998-1999

State	Ownership Group						
	Australian		Foreign		Unknown		Total
	\$M	%	\$M	%	\$M	%	\$M

New South Wales	8,283	57	3,984	27	2,253	16	14,429
Victoria	6,153	54	3,557	31	1,658	15	11,368
Queensland	5,121	69	1,477	20	800	11	7,398
South Australia	1,615	71	411	18	251	11	2,277
Western Australia	4,894	70	1,740	25	343	5	6,977
Tasmania	426	90	34	7	14	3	475
Northern Territory and Australian Capital Territory	1,386	79	367	21	5	0	1,758
Australia	27,879	62	11,478	26	5,325	12	44,682

Table 1 shows estimates of private new capital expenditure by broad industry for 1998-1999, as already published in **Private New Capital Expenditure, State Estimates, 1998-1999** (ABS Cat. no. 5646.0), classified according to the majority ownership (Australian/foreign/unknown) of the business making the capital expenditure. The industries covered are the same as those in the Survey of Private New Capital Expenditure.

The relative importance of investment in private new capital expenditure by majority-foreign-owned businesses was above 18% for all mainland States.

MINING

For Australia as a whole, majority-foreign-owned businesses contributed \$2.2 billion or 25% of capital expenditure in mining (Table 2). This was mainly in oil and gas mining and coal mining. However, there were differences among the States. In 1998-1999, WA was the state with the greatest investment in capital expenditure by majority-foreign-owned businesses (\$846 million, representing 23% of the total capital expenditure in mining for WA). In NSW, most of the mining expenditure by majority-foreign-owned businesses was associated with coal mining.

Table 2 : Mining - Private New Capital Expenditure In Australia by Ownership Group, 1998-1999

State	Ownership Group						
	Australian		Foreign		Unknown		Total
	\$M	%	\$M	%	\$M	%	\$M
New South Wales	306	58	202	38	21	4	529
Queensland	1,457	86	240	14	0	0	1,698
South Australia	471	93	34	7	3	1	508
Western Australia	2,779	76	846	23	23	1	3,648
All other States	1,456	62	886	38	1	0	2,342
Australia	6,469	74	2,208	25	48	1	8,725

MANUFACTURING

At the Australia level, majority-foreign-owned businesses invested \$3.9 billion (42%) of the

capital expenditure in manufacturing (Table 3). This was mainly in machinery and motor vehicle manufacturing, metal products manufacturing, petroleum products manufacturing, non-metallic mineral products manufacturing and food manufacturing. For the States which could be published, all had majority-foreign-owned investment above 31%. WA had a high level of majority-foreign-owned investment with \$699 million or 54% of the total capital expenditure for that State. In dollar terms, most of the capital expenditure by majority-foreign-owned businesses occurred in NSW (\$1,236 million, or 43% of capital expenditure in NSW manufacturing) and Victoria (details suppressed for confidentiality reasons).

Table 3 : Manufacturing - Private New Capital Expenditure In Australia by Ownership Group, 1998-1999

State	Ownership Group						
	Australian		Foreign		Unknown		Total
	\$M	%	\$M	%	\$M	%	\$M
New South Wales	1,163	41	1,236	43	461	16	2,860
Queensland	582	43	624	46	142	11	1,349
South Australia	405	52	238	31	134	17	776
Western Australia	530	41	699	54	55	4	1,284
All Other States	1,540	49	1,152	36	474	15	3,167
Australia	4,221	45	3,948	42	1,267	13	9,435

OTHER SELECTED INDUSTRIES

At the Australia level, majority-foreign-owned businesses contributed \$5.3 billion or 20% of capital expenditure in the other selected industries included in the survey (Table 4). Within this category, majority-foreign-owned businesses made strong contributions in the following areas: communications (private sector only, excluding Telstra); electricity and gas distribution (private sector only - including the newly privatised Victorian utilities) ; machinery and motor vehicle wholesaling; motion picture production, TV and radio; and finance. Most of the capital expenditure by majority-foreign-owned businesses, in dollar terms of capital investment in the industries, occurred in NSW (\$2,456 million, or 22%) and Victoria (details suppressed for confidentiality reasons).

Table 4 : Other Selected Industries - Private New Capital Expenditure In Australia by Ownership Group, 1998-1999

State	Ownership Group						
	Australian		Foreign		Unknown		Total
	\$M	%	\$M	%	\$M	%	\$M
New South Wales	6,813	62	2,456	22	1,771	16	11,040
Queensland	3,082	71	612	14	658	15	4,352

South Australia	739	74	139	14	115	12	993
Western Australia	1,585	78	195	10	265	13	2,046
All Other States	4,971	61	1,920	24	1,202	15	8,092
Australia	17,189	65	5,323	20	4,010	15	26,522

REGIONAL GROUPS

Of the 26% of capital expenditure made by majority-foreign-owned businesses, 11 percentage points was incurred by businesses owned from the United States of America, 10 percentage points from the European Union and 5 percentage points from Other countries. The European Union investment was dominated by UK-owned companies, while among the Other countries category, Japanese-owned firms made the most significant contribution.

Table 5 : Private New Capital Expenditure In Australia by Regional Group, 1998-1999

State	Ownership Group										
	Australian		European Union		USA		Other		Unknown		Total
	\$M	%	\$M	%	\$M	%	\$M	%	\$M	%	\$M
New South Wales	8,283	57	1,627	13	1,263	9	803	6	2,253	16	14,429
Victoria	6,153	54	864	8	2,165	19	527	5	1,658	15	11,368
Queensland	5,121	69	700	9	223	3	553	8	800	11	7,398
South Australia	1,615	71	128	6	216	10	67	3	251	11	2,277
Western Australia	4,894	70	499	7	1,009	15	232	3	343	5	6,977
Tasmania	426	90	12	3	17	4	5	1	14	3	475
Northern Territory and Australian Capital Territory	1,386	79	257	15	58	3	50	3	5	0	1,758
Australia	27,879	62	4,289	10	4,952	11	2,237	5	5,325	12	44,682

US-owned businesses invested nearly \$5 billion, mainly in Victoria (\$2.2 billion, or 19% of all capital investment in that State), NSW (\$1.3 billion, or 9%) and WA (\$1.0 billion, or 15%). Low proportions of capital expenditure by US-owned businesses were seen in Queensland, Tasmania and NT/ACT. European Union-owned businesses invested \$3.9 billion. They had a different pattern of investment from US-owned businesses, with most investment in NSW (\$1.7 billion, or 12% of capital expenditure in the State) and Victoria (\$803 million, or 7%). Other foreign countries invested \$2.6 billion, mainly in NSW (\$949 million, or 7%), Queensland (\$674 million, or 9%) and Victoria (\$588 million, or 5%). There was significant Japanese investment in Queensland, but less Japanese investment in other States. UK-owned businesses were significant investors in most States. State details of capital expenditure by UK- and Japanese-owned businesses have been suppressed for confidentiality reasons.

TYPE OF ASSET

Investment in buildings and structures by majority-foreign-owned businesses was 21% of total

investment in buildings and structures. Expenditure was greatest in Victoria. For Australia as a whole, majority-foreign-owned businesses invested 28% of total investment on equipment, plant and machinery.

Majority-foreign-owned businesses invested proportionately more capital on equipment, plant and machinery than did Australian businesses. Of the \$11.5 billion capital expenditure undertaken by majority-foreign-owned businesses in 1998-99, \$8.6 billion (75%) was spent on equipment, plant and machinery and \$2.9 billion (25%) was spent on buildings and structures. This compares with investment by Australian-owned businesses of \$17.8 billion (64%) on equipment, plant and machinery and \$10.1 billion (36%) on buildings and structures.

Table 6 : Private New Capital Expenditure in Australia by Type of Asset, 1998-1999

Type of Asset	Ownership Group						
	Australian		Foreign		Unknown		Total
	\$M	%	\$M	%	\$M	%	\$M
Buildings & structures	10,085	74	2,918	21	706	5	13,709
Equipt, plant & machinery	17,794	58	8,561	28	4,618	15	30,973
All Assets	27,879	62	11,478	26	5,325	12	44,682

ANALYSIS OF BUSINESSES WITH UNKNOWN OWNERSHIP

The businesses with unknown ownership were mainly in the smaller size categories in industries with low foreign investment. The main industries were (in descending order of unexplained expenditure): business services; accommodation, hotels and restaurants; road transport; construction trades; personal and household goods wholesaling; printing and publishing; general construction; and property services.

COMPARISON OF RESULTS WITH A PREVIOUS STUDY

The ABS has previously carried out one study, in respect of 1982-1983, of foreign control of new fixed capital expenditure in Australia. In that previous study, a foreign investor was said to have control of a firm if it was the largest investor having an equity of 25% or more. However, for the purposes of this current study, with respect to 1998-1999, a business was said to be majority-foreign-owned if foreign direct investors owned more than 50% of the total equity. The degree of foreign control in Australia of capital expenditure found in the 1982-1983 study (29%) was slightly higher than the level of capital expenditure by majority-foreign -owned businesses in the present study (26%). Further information on the derivation of ownership, and the methodology employed in this study, is available on request from the ABS, and is available from the Statistical Concepts Library on the ABS website (**Balance of Payments - Concepts, Sources and Methods** (Cat. no. 5331.0)).

RELATED PUBLICATIONS

Users may also wish to refer to the following publications:

- **Private New Capital Expenditure - State Estimates** (Cat. no. 5646.0)
- **Experimental Estimates of Foreign and Domestic Investment in Private New Capital Expenditure, Western Australia, 1998-99** (Cat. no. 5674.5)
- **Foreign Control of New Fixed Capital Expenditure by Private Enterprises in Selected Industries, Australia - 1982-83** (Cat. no. 5333.0)

FURTHER INFORMATION

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